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The following report is submitted as a clarification of the functions of the C.N.I.E.C. (China National Import and Export Corporation) and the C.E.C. (China Export Corporation).

1. China National Import and Export Corporation

This concern, which has its main offices in Peking, has a branch situated in the Hotel Johannishof in East Berlin and was set up some time in late April as a direct outcome of the Moscow Economic Conference. When certain delegates to this Conference proceeded to Peking, they were informed that China was most anxious to expand her trade with the West.

In order to facilitate this, the Chinese were setting up a special office in Berlin, through which all trade exchange requirements from Western Europe were to be channelled.

2. This office is staffed by Chinese personnel and, apparently, has no communication with the East German Government or, for that matter, with any other Satellite or Soviet authority. It handles all enquiries for business.

has authority to sign contracts, is well briefed on what China can supply, and, likewise, on her main requirements. 50X1-HUM

3. According to members of the staff of this office, it is to remain in being indefinitely and has no connection whatsoever with the China Export Corporation in East Berlin or its similarly named office. 50X1-HUM

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- 2 -

50X1-HUM

50X1-HUM

4. It has been suggested that locating this office in East Berlin was to facilitate trade in strategic materials, as certain goods which are allowed [redacted] to enter East Germany are barred from shipment to China. This is not altogether likely, since up to the present the C.N.I.E.C. has shown every desire for China imports to be shipped direct to China [redacted]

[redacted] The only possibly political element in the formation of this body is that, in the event of large-scale exchanges of trade between the two countries, the C.N.I.E.C. will probably announce to the world that such trade has been made possible as a direct result of the Moscow Economic Conference. 50X1-HUM

5. The China Export Corporation

This is an East German state trading concern which has been in operation for at least two years. It was set up originally in order to facilitate trade exchanges between East Germany and China, and was concerned with, inter alia, sales to Russian Satellites of goods imported from China. It must be remembered in this connection that in the old days the large [redacted] concerns operating inside China had made themselves responsible for the sale all over the world of various commodities and especially produce from China. It is considered that it was an attempt at assuming this role that prompted the setting up of the C.E.C. 50X1-HUM

6. However, the efforts to trade with China on the part of the C.E.C. have proved an abject failure in that East Germany despatched large quantities of strategic chemicals, obtained mainly from East Germany but also in part from the Western Zone, to China and received in exchange equally large quantities of produce and silk for which the C.E.C. could find no market. This resulted in a very rapid depreciation in the funds at the disposal of the C.E.C. which then attempted to increase East-West trade, regardless of whether it included China or not.

50X1-HUM

7. The present situation is that the C.E.C. is virtually bankrupt and, hence, highly unpopular with the East German authorities and shows every sign of dissolving altogether. The two personalities most heavily involved in the running of the C.E.C. are Ernst Ramlow and Leo Schlecht. As to the future of this corporation, it would appear that much of its chemical trade will be taken over by such organizations as Chemiepha and, of course, it is most likely that with the setting up of the C.N.I.E.C., the latter may well attract or insist on handling all future trade between China and the West.